CR 12 (Rev. 6/82)

WARRANT FOR ARREST

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PATRICK E. DUFFY, CLERK
BY DEPUTY CLERK

United States District Court	DISTRICT SOUTHERN DISTRICT OF NEW YORK
UNITED STATES OF AMERICA v. MICHAEL LAIR	DOCKET NO. 06 MAG MAGISTRATE'S CASE NO. 1609
	NAME AND ADDRESS OF INDIVIDUAL TO BE ARRESTED MICHAEL LAIR CR-06-132 Blg-RWA
WARRANT ISSUED ON THE BASIS OF: ☐ Order of Court Indictment ☐ Information X Complaint	DISTRICT OF ARREST
TO: ANY AUTHORIZED FEDERAL LAW ENFORCEMENT OFFICER	CITY

YOU ARE HEREBY COMMANDED to arrest the above-named person and bring that person before the United States District Court to answer to the charge(s) listed below.

DESCRIPTION OF CHARGES

Wire Fraud (18 USC 1343)

IN VIOLATION OF	UNITED STATES CODE TITLE	SECTION
	18	1343

BAIL	OTHER CONDITIONS OF RELEASE

ORDERED BY	SIGNATURE (FEDERAL JUDGE/U.S. MAGISTRATE)	DATE ORDERED
GABRIEL W. GORENSTEIN UNITED STATES MAGISTRATE JUDGE SOUTHERN DISTRICT OF NEW YORK	Gabriel W. Gorenstein	NOV 0 2006
CLERK OF COURT	(BY) DEPUTY CLERK	DATE ISSUED

RETURN

This warrant was received and executed with the arrest of the above-named person.

DATE RECEIVED	NAME AND TITLE OF ARRESTING OFFICER	SIGNATURE OF ARRESTING OFFICER
DATE EXECUTED		

Note: The arresting officer is directed to serve the attached copy of the charge on the defendant at the time this warrant is executed.

06 MAG 1609

Approved: [signature]
HELEN V. CANTWELL
Assistant United States Attorney

Before: THE HONORABLE GABRIEL W. GORENSTEIN
United States Magistrate Judge
Southern District of New York

- x

UNITED STATES OF AMERICA : **COMPLAINT**

-v.- : Violation of 18 U.S.C. § 1343

MICHAEL LAIR, : COUNTY OF OFFENSE: NEW YORK

Defendant.

- x

SOUTHERN DISTRICT OF NEW YORK, ss.:

B. J. KANG, being duly sworn, deposes and says that he is a Special Agent with the Federal Bureau of Investigation ("FBI") and charges as follows:

COUNT ONE

1. From in or about Spring 2005, up to and including in or about October 2006, in the Southern District of New York and elsewhere, MICHAEL LAIR, the defendant, unlawfully, willfully, and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money by means of false and fraudulent pretenses, representations and promises, would and did transmit and cause to be transmitted by means of wire and radio communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice.

(Title 18, United States Code, Section 1343)

The bases for my knowledge and the foregoing charge are, in part, as follows:

2. I am a Special Agent with the FBI, and I am assigned to a Securities Fraud Squad of the FBI. I have been personally involved in the investigation of this matter. This affidavit is based upon my conversations with other law enforcement agents and witnesses, my examination of reports and

records, and my personal participation in the investigation of this matter. Because this affidavit is being submitted for the limited purpose of establishing probable cause, it does not include all the facts that I have learned during the course of my investigation. Where the contents of documents and the actions, statements, and conversations of others are reported herein, they are reported in substance and in part, except where otherwise indicated.

3. On or about September 19, 2006, I spoke with an attorney ("A-1"), who informed me, in substance and in part, that:

a. A-1 is an attorney practicing law in New York, New York and A-1 represents a large hedge fund. A-1's client is currently the defendant in a well-publicized securities fraud lawsuit brought by a large pharmaceutical company.

b. In or about September 2006, MICHAEL LAIR, the defendant, contacted an employee working for A-1's client by telephone and also spoke with A-1 over the telephone while A-1 was in his New York, New York office. LAIR informed A-1 in substance that LAIR had been hired as an investigator by an attorney representing the large pharmaceutical company that also maintains an office in New York, New York. ("A-2"). LAIR further stated that A-2 had hired LAIR to use illegal and unethical investigative techniques in order to obtain information about A-1's client, including hacking into computers used by employees of A-1's client, illegally obtaining financial records of A-1's client, and using a false pretext to obtain telephone records of specific employees of A-1's client. LAIR maintained that he had refused to perform these tasks and that he had informed A-2 in substance that it was inappropriate to do what A-2 asked.

4. Thereafter, from New York, New York, I monitored both oral and written communications between A-1 (or an email account designated by A-1) and LAIR. During these communications, LAIR requested that A-1 sign a non-disclosure agreement ("NDA") and forward LAIR $50,000. In return, LAIR would provide evidence to A-1 that would support LAIR's claims that A-2 had employed LAIR to illegally and unethically investigate A-1's client. LAIR also forwarded a sample of such alleged proof, which consisted of an email allegedly from A-2 that purported to direct LAIR to hack into A-1's client's computers and obtain telephone records by calling the telephone company and pretending to be someone else (commonly known as "pretexting"). Finally, LAIR proposed that he would provide the rest of his evidence if A-1 or someone acting on A-1's behalf

would travel to Barbados to meet with LAIR.

5. On or about November 3, 2006, I interviewed A-2. Among other things, A-2 stated in substance the following: (a) LAIR first contacted A-2 in or about March 2006, and LAIR claimed in substance that he had already developed information concerning A-1's client and LAIR offered to provide that evidence to A-2; (b) LAIR requested that A-2 sign an NDA prior to receiving any information, and A-2's law firm paid LAIR at least $6,000; (c) LAIR never provided the information he claimed to have; (d) A-2 never gave LAIR instructions to perform any proactive investigative tasks and A-2 never instructed LAIR to use illegal or unethical techniques to investigate A-1's client; and (e) A-2 refused to work with LAIR when LAIR submitted an invoice to A-2 that suggested that LAIR was engaging in illegal or unethical investigative techniques. Furthermore, A-2 examined the email that LAIR sent to A-1 and stated that it was an altered document; A-2 also provided me with a copy of the original email, which did not include any references to illegal activity being ordered by A-2.

6. On or about October 3, 2006, I spoke with an attorney ("A-3") who informed me of the following:

a. A-3 has an office in New York, New York and is an attorney working for a large insurance company. A-3's insurance company is involved in litigation with the former CEO and Board Chairman of A-3's client, who is represented by various attorneys, including an attorney practicing law in New York, New York ("A-4").

b. LAIR contacted A-3 on or about September 26, 2006 at his New York office, and in that conversation, LAIR claimed that A-4 (and other lawyers working with A-4) hired LAIR to use illegal and unethical investigative techniques in the lawsuit involving A-3's company. Specifically, LAIR claimed that A-4 had requested that LAIR hack into A-3's client's computers and obtain telephone records for employees at A-3's client's computers and email accounts. LAIR maintained that he had not performed these tasks because he knew they were inappropriate.

7. On or about November 7, 2006, I interviewed A-4. Among other things, A-4 stated in substance that (a) LAIR approached A-4's law firm in or about Spring 2005 and stated in substance that he possessed information concerning the litigation with A-3's client which LAIR offered to provide to A-4; (b) LAIR requested funds which he stated he would need before he could provide any evidence of his claims and over time A-4's law firm

paid LAIR approximately $75,000; (c) LAIR never provided the information he claimed to have; (d) A-4 never directed LAIR to perform any investigative tasks, and A-4 never instructed LAIR to use illegal or unethical techniques to investigate A-3's client; and (e) A-4 ended any relationship between A-4 and LAIR in or about May 2006 because of misrepresentations made by LAIR to A-4, among other reasons.

8. On or about October 5, 2006, other FBI agents conducted a search, pursuant to a search warrant, of two storage units rented by LAIR in Bozeman, Montana and LAIR's residence. I have spoken with those FBI agents and I have reviewed paper documents seized during these searches.

a. Among the documents seized, I observed documents where LAIR refers to himself as the president of consumerdefense.com, Inc. and CDI and in which he claims that his companies work as investigators of consumer complaints. In certain documents, LAIR claims to have conducted research in connection with large securities fraud cases including, but not limited to, Enron.

b. Among the documents seized, I observed numerous NDAs similar to the one LAIR sent to A-1. Some of these NDAs had been sent to other lawyers involved in highly publicized lawsuits. I also reviewed correspondence written by LAIR, wherein LAIR makes representations about information he can provide about adversaries in civil litigation in exchange for a substantial retainer.

c. I also reviewed documents that indicated that LAIR had initially approached A-4's law firm with a claim that LAIR had information concerning the substance of the litigation concerning A-3's company and A-4's client. I observed a letter written by A-4's law firm in May 2006, in which A-4 informed LAIR in substance that LAIR had not turned over the materials for which A-4's law firm had paid $75,000.

d. I did not observe any documents that indicated that any of the law firms contacted by LAIR had requested that LAIR engage in illegal or unethical practices, including A-2 and A-4. On the contrary, the documents I reviewed demonstrated that LAIR had reached out on numerous occasions to attorneys involved in highly publicized cases, including A-2 and A-4, with a promise to provide them with existing incriminating evidence in exchange for money.

9. I have spoken with another agent who interviewed an individual who used to work for LAIR ("CW-1"). I have reviewed a written report of that interview and also have spoken directly with CW-1. In substance, CW-1 reported that CW-1 believed that LAIR was running a scam because, among other reasons, CW-1 had observed that (a) LAIR spent time looking for reports concerning highly publicized cases on the internet; (b) based on this research, LAIR would ask large corporations for a retainer for his services, but CW-1 observed that LAIR was not doing any actual work; and (c) when corporations would ask for their money back, LAIR would refuse to give it to them.

WHEREFORE, deponent prays that a warrant be issued for the arrest of the above-referenced defendant and he be arrested and imprisoned, or bailed, as the case may be.

B.J. KANG
SPECIAL AGENT
FEDERAL BUREAU OF INVESTIGATION

Sworn to before me this
__ th day of November, 2006 NOV 08 2006

UNITED STATES MAGISTRATE JUDGE
SOUTHERN DISTRICT OF NEW YORK

GABRIEL W. GORENSTEIN
UNITED STATES MAGISTRATE JUDGE
SOUTHERN DISTRICT OF NEW YORK